OJSC NOVOLIPETSK STEEL

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

AS AT JUNE 30, 2009 AND DECEMBER 31, 2008,
AND FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

CONTENTS

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya Nab. 52, Bldg. 5
115054 Moscow
Russia
Telephone +7 (495) 967 6000
Facsimile +7 (495) 967 6001
www.pwc.ru

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of OJSC Novolipetsk Steel:

We have reviewed the accompanying interim condensed consolidated balance sheet of OJSC Novolipetsk Steel and its subsidiaries ("the Group") as at June 30, 2009, the related interim condensed consolidated statements of income, of cash flows, and of stockholders' equity and comprehensive income for each of the six-month periods ended June 30, 2009 and June 30, 2008. These interim condensed consolidated financial statements are the responsibility of the Group's management.

We conducted our review in accordance with the standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Group as at December 31, 2008, the related consolidated statements of income, of cash flows, and of stockholders' equity and comprehensive income for the year then ended (not presented herein), and in our report dated March 23, 2009, we expressed an unqualified opinion on such consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as at December 31, 2008, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
August 21, 2009

(All amounts in thousands of US dollars, except for share data)

	Note	As at June 30, 2009	As at December 31, 2008
ASSETS			
Current assets			
Cash and cash equivalents	2	1,590,511	2,159,989
Short-term investments		467,342	8,089
Accounts receivable and advances given, net	3	882,295	1,487,847
Inventories, net	4	1,031,256	1,555,762
Other current assets		94,233	99,960
Deferred income tax assets		95,418	-
Current assets held for sale	9	-	34,432
		4,161,055	**5,346,079**
Non-current assets			
Long-term investments, net		748,477	815,527
Property, plant and equipment, net	5	6,611,587	6,826,139
Intangible assets, net		213,440	235,283
Goodwill		576,704	613,668
Other non-current assets		28,184	33,546
Non-current assets held for sale	9	-	194,286
		8,178,392	**8,718,449**
Total assets		**12,339,447**	**14,064,528**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	6	1,109,279	1,879,213
Short-term borrowings	7	1,126,035	1,079,806
Current income tax liability		28,932	10,497
Current liabilities held for sale	9	-	10,959
		2,264,246	**2,980,475**
Non-current liabilities			
Deferred income tax liability		358,410	296,875
Long-term borrowings	7	1,668,359	1,929,772
Other long-term liabilities		122,681	128,944
Non-current liabilities held for sale	9	-	5,393
		2,149,450	**2,360,984**
Total liabilities		**4,413,696**	**5,341,459**
Commitments and contingencies		-	-
Stockholders' equity			
NLMK stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at June 30, 2009 and December 31, 2008		221,173	221,173
Statutory reserve		10,267	10,267
Additional paid-in capital		117,896	52,395
Accumulated other comprehensive loss		(1,065,769)	(549,879)
Retained earnings		8,713,092	8,956,013
NLMK stockholders' equity		**7,996,659**	**8,689,969**
Non-controlling interest		**(70,908)**	**33,100**
Total stockholders' equity		**7,925,751**	**8,723,069**
Total liabilities and stockholders' equity		**12,339,447**	**14,064,528**

The interim condensed consolidated financial statements as set out on pages 4 to 23 were approved on August 21, 2009.

President (Chairman of the Management Board)
Lapshin A.A.

Chief Accountant
Sokolov A.A.

	Note	For the six months ended June 30, 2009	For the six months ended June 30, 2008
Sales revenue	14	**2,586,261**	**5,883,616**
Cost of sales			
Production cost		(1,669,866)	(2,988,536)
Depreciation and amortization		(222,745)	(245,884)
		(1,892,611)	**(3,234,420)**
Gross profit		**693,650**	**2,649,196**
General and administrative expenses		(165,486)	(171,191)
Selling expenses		(274,705)	(343,663)
Taxes other than income tax		(48,898)	(64,626)
Operating income		**204,561**	**2,069,716**
Loss on disposals of property, plant and equipment		(8,059)	(580)
(Losses) / gains on investments, net		(1,580)	3,948
Interest income		34,637	45,369
Interest expense		(101,376)	(110,379)
Foreign currency exchange (loss) / gain, net		(89,515)	36,449
Other expenses, net		(73,617)	(54,099)
(Loss) / income from continuing operations before income tax		**(34,949)**	**1,990,424**
Income tax expense	11	(26,437)	(474,960)
(Loss) / income from continuing operations, net of income tax		**(61,386)**	**1,515,464**
Equity in net (losses) / earnings of associate		(258,805)	42,774
Net (loss) / income		**(320,191)**	**1,558,238**
Less: Net loss / (income) attributable to the non-controlling interest		**77,270**	**(27,422)**
Net (loss) / income attributable to NLMK stockholders		**(242,921)**	**1,530,816**
(Loss) / income per share – basic and diluted:			
(Loss) / income from continuing operations attributable to NLMK stockholders per share (US dollars)		(0.0405)	0.2554
Net (loss) / income attributable to NLMK stockholders per share (US dollars)	10	(0.0405)	0.2554
Weighted-average shares outstanding, basic and diluted (in thousands)		5,993,227	5,993,227

The accompanying notes constitute an integral part of these interim condensed consolidated financial statements.

(thousands of US dollars)

	Note	For the six months ended June 30, 2009	For the six months ended June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income		**(320,191)**	**1,558,238**
Adjustments to reconcile net (loss) / income to net cash provided by operating activities:			
Depreciation and amortization		222,745	245,884
Loss on disposals of property, plant and equipment		8,059	580
Losses / (gains) on investments, net		1,580	(3,948)
Equity in net losses / (earnings) of associate		258,805	(42,774)
Deferred income tax benefit		(22,598)	(63,206)
Gains on unrealized forward contracts		(136,919)	-
Other		12,984	47,734
Changes in operating assets and liabilities			
Decrease in accounts receivable		494,731	183,443
Decrease in inventories		401,532	74,123
Increase in other current assets		(146)	(17,829)
Decrease in accounts payable and other liabilities		(11,014)	(870,745)
Increase in current income tax payable		17,597	72,665
Net cash provided by operating activities		**927,165**	**1,184,165**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		5,053	6,209
Purchases and construction of property, plant and equipment		(413,847)	(822,424)
Settlement of abandoned acquisition	17(b)	(234,000)	-
Proceeds from sale of investments and loans settled		143,172	19,671
Placement of bank deposits and purchases of other investments		(508,434)	(24,503)
Loans issued		(316,191)	-
Acquisitions of stake in existing subsidiaries		-	(126,144)
Payment for acquisition of interests in new subsidiaries	12(b)	-	(299,928)
Net cash received in acquisition of interests in new subsidiaries	12(c)	-	297,905
Movement of restricted cash		-	(12,529)
Net cash used in investing activities		**(1,324,247)**	**(961,743)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		374,288	937,238
Repayment of borrowings and notes payable		(505,774)	(976,767)
Capital lease payments		(26,679)	(53,374)
Dividends to minority shareholders of existing subsidiaries		(4)	(5,628)
Dividends to shareholders		(1,031)	(3,233)
Net cash used in financing activities		**(159,200)**	**(101,764)**
Net (decrease) / increase in cash and cash equivalents		**(556,282)**	**120,658**
Effect of exchange rate changes on cash and cash equivalents		(13,196)	50,043
Cash and cash equivalents at the beginning of the period	2	2,159,989	1,154,641
Cash and cash equivalents at the end of the period	2	**1,590,511**	**1,325,342**

(thousands of US dollars)

	Note	NLMK stockholders: Common stock	Statutory reserve	Additional paid-in capital	Accumulated other comprehensive income / (loss)	Retained earnings	Non-controlling interest	Compre-hensive income	Total stockholders' equity
Balance at December 31, 2007		**221,173**	**10,267**	**52,395**	**1,181,546**	**7,526,150**	**106,813**	**-**	**9,098,344**
Purchase of subsidiaries' shares from non-controlling interest		-	-	-	-	-	(74,408)	-	(74,408)
Comprehensive income:									
Net income		-	-	-	-	1,530,816	27,422	1,558,238	1,558,238
Other comprehensive income:									
Dividends to minority shareholders of existing subsidiaries		-	-	-	-	-	(12,095)	(12,095)	(12,095)
Cumulative translation adjustment		-	-	-	459,313	-	4,974	464,287	464,287
Comprehensive income								2,010,430	**2,010,430**
Dividends to shareholders	10	-	-	-	-	(377,540)	-	-	(377,540)
Balance at June 30, 2008		**221,173**	**10,267**	**52,395**	**1,640,859**	**8,679,426**	**52,706**	**-**	**10,656,826**
Balance at December 31, 2008		**221,173**	**10,267**	**52,395**	**(549,879)**	**8,956,013**	**33,100**	**-**	**8,723,069**
Comprehensive loss:									
Net loss	1	-	-	-	-	(242,921)	(77,270)	(320,191)	(320,191)
Other comprehensive loss:									
Cumulative translation adjustment		-	-	-	(515,890)	-	(6,400)	(522,290)	(522,290)
Comprehensive loss								(842,481)	**(842,481)**
Disposal of assets to an entity under common control	9	-	-	85,345	-	-	(40,182)	-	45,163
Change in non-controlling interest	13	-	-	(19,844)	-	-	19,844	-	-
Balance at June 30, 2009		**221,173**	**10,267**	**117,896**	**(1,065,769)**	**8,713,092**	**(70,908)**	**-**	**7,925,751**

1 BASIS OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Open Joint Stock Company Novolipetsk Steel (the "Parent Company", or "NLMK") and its subsidiaries (together – the "Group") audited consolidated financial statements as at and for the year ended December 31, 2008. The December 31, 2008 condensed consolidated balance sheet information has been derived from the audited consolidated financial statements, however, since it is presented on a condensed basis it does not include all disclosures required by accounting principles generally accepted in the United States of America for annual consolidated financial statements.

In the opinion of the Group's management, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. The financial results of the periods reported herein are not necessarily indicative of future financial results.

Functional and reporting currency

The Group's principal functional currency is considered to be the Russian ruble. The functional currency of the foreign subsidiaries is their local currency. The accompanying interim condensed consolidated financial statements have been prepared using the US dollar as the Group's reporting currency, utilizing period-end exchange rates for assets and liabilities, corresponding period quarterly weighted average exchange rates for consolidated statement of income accounts for the six months ended June 30, 2009 (weighted average exchange rate for consolidated statement of income accounts for the six months ended June 30, 2008) and historic rates for equity accounts.

The Central Bank of the Russian Federation's closing rates of exchange ruling at June 30, 2009, December 31, 2008, June 30, 2008 and December 31, 2007 were 1 US dollar to 31.2904, 29.3804, 23.4573 and 24.5462 Russian rubles, respectively. The period weighted average exchange rates for the 1 quarter 2009 and 2 quarter 2009 were 33.9308 and 32.2145 Russian rubles to 1 US dollar, respectively. The period weighted average exchange rate for the six months ended June 30, 2008 was 23.9440 Russian rubles to 1 US dollar.

Recent accounting pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 160, *Non-controlling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51* ("SFAS No. 160"). SFAS No. 160 requires all entities to report non-controlling interests in subsidiaries (formerly known as minority interests) as a separate component of equity in the consolidated statement of financial position, to clearly identify consolidated net income attributable to the Parent Company and to the non-controlling interest on the face of the consolidated statement of income, and to provide sufficient disclosure that clearly identifies and distinguishes between the interest of the parent and the interests of non-controlling owners. SFAS No. 160 also establishes accounting and reporting standards for changes in a parent's ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 was effective as of January 1, 2009. As a result of the adoption of this Statement, the Group prospectively attributed the non-controlling interest its share of losses of $77,270 which resulted in a deficit non-controlling interest balance. The presentation and disclosure requirements of SFAS No. 160 were applied retrospectively.

On June 30, 2009 the FASB issued SFAS No. 165, *Subsequent events* (SFAS No. 165), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, SFAS No. 165 sets forth the period after the balance sheet date during which the management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of SFAS No. 165 had no impact on the Group's interim condensed consolidated financial statements as management already followed a similar approach prior to the adoption of this standard providing disclosure of subsequent events through the date that the consolidated financial statements are issued.

1 BASIS OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARATION (continued)

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No.162* (SFAS No. 168), which replaces SFAS No. 162 and establishes FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities of Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead FASB will issue Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right as they only serve to update the Codification. The issuance of SFAS No. 168 and the Codification does not change GAAP. SFAS No. 168 becomes effective for all periods ending after September 2009. Management has determined that the adoption of SFAS No. 168 will not have an impact on the Group's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No.46(R)*. SFAS No. 167 amends FASB Interpretation No. 46 (Revised December 2003), *Consolidation of Variable interest entities – an interpretation of ARB No.51* to require an enterprise to perform an analysis to determine whether the enterprise's is the primary beneficiary of a variable interest entity; to eliminate a quantitative approach previously required for determining primary beneficiary of a variable interest entity; to add an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that holders of the entity investments at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity's economic performance; and to require enhanced disclosures that will provide users of financial statements with more transparent information about the enterprises involvement in a variable interest entity. This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Management is currently evaluating the potential impact of SFAS No. 167 on the Group's interim condensed consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140* (SFAS No. 166). SFAS No. 166 amends various provisions of SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities – a replacement of FASB No. 125*, by removing the concept of a qualifying special-purpose entity and removes the exception from applying FIN 46(R) to variable interest entities that are qualifying special-purpose entities; limits the circumstances in which a transferor derecognizes a portion or component of a financial asset; defines a participating interest; requires a transferor to recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer accounted for as a sale; and requires enhanced disclosure; among others. This Statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. Management is currently evaluating the potential impact of SFAS No. 166 on the Group's interim condensed consolidated financial statements.

(thousands of US dollars)

2 CASH AND CASH EQUIVALENTS

	As at June 30, 2009	As at December 31, 2008
Cash – Russian rubles	103,367	75,561
Cash – other currencies	294,170	79,688
Deposits – Russian rubles	185,313	317,772
Deposits – US dollars	931,057	1,591,632
Deposits – Euros	66,961	89,683
Deposits – other currencies	4,273	4,832
Other cash equivalents	5,370	821
	1,590,511	**2,159,989**

3 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at June 30, 2009	As at December 31, 2008
Trade accounts receivable	579,927	964,257
Advances given to suppliers	112,489	123,588
Taxes receivable	353,977	489,352
Accounts receivable from employees	4,470	2,709
Other accounts receivable	129,580	178,996
	1,180,443	1,758,902
Allowance for doubtful debts	(298,148)	(271,055)
	882,295	**1,487,847**

As at June 30, 2009 and December 31, 2008, the Group had other accounts receivable of $90,385 and $95,033, respectively, from companies for which a 100% allowance was recorded. These accounts receivable were acquired by the Group through a business combination.

As at June 30, 2009 and December 31, 2008, accounts receivable of $10,437 and nil, respectively, served as collateral for certain borrowings (Note 7).

4 INVENTORIES

	As at June 30, 2009	As at December 31, 2008
Raw materials	515,675	833,236
Work in process	210,546	326,168
Finished goods and goods for resale	353,779	480,135
	1,080,000	1,639,539
Provision for obsolescence	(48,744)	(83,777)
	1,031,256	**1,555,762**

As at June 30, 2009 and December 31, 2008, inventories of $15,000 and $35,900, respectively, served as collateral for certain borrowings (Note 7).

(thousands of US dollars)

5 PROPERTY, PLANT AND EQUIPMENT

	As at June 30, 2009	As at December 31, 2008
Land	91,064	91,553
Mineral rights	494,983	527,162
Buildings	1,317,540	1,385,103
Land and buildings improvements	1,152,407	1,213,582
Machinery and equipment	5,454,012	5,699,662
Vehicles	317,220	333,351
Construction in progress and advances for construction and acquisition of property, plant and equipment	2,447,015	2,355,259
Leased assets	288,405	310,534
Other	65,360	72,169
	11,628,006	11,988,375
Accumulated depreciation	(5,016,419)	(5,162,236)
	6,611,587	**6,826,139**

As at June 30, 2009 and December 31, 2008, property, plant and equipment of $221,892 and $272,678 (net book value), respectively, served as collateral for certain borrowings (Note 7).

6 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at June 30, 2009	As at December 31, 2008
Trade accounts payable	391,240	489,486
Advances received	92,014	54,127
Taxes payable other than income tax	69,425	81,966
Accounts payable and accrued liabilities to employees	112,285	129,724
Dividends payable	3,434	4,859
Short-term capital lease liability	23,422	35,722
Negative fair values of unrealized forward contracts (Note 8)	325,249	495,540
Other accounts payable	92,210	587,789
	1,109,279	**1,879,213**

Other accounts payable as at December 31, 2008 include payables to the company under common control for OJSC TMTP shares of $241,833 (Note 9) and $234,000 in respect of the settlement of the dispute with DBO Holdings Inc. (Note 17(b)).

(thousands of US dollars)

7 SHORT-TERM AND LONG-TERM BORROWINGS

	As at June 30, 2009	As at December 31, 2008
Parent Company		
Loans, US$ denominated, with interest rate of LIBOR +1.2% - 7% per annum, mature 2009-2013	1,655,150	1,657,105
Maxi-Group		
Russian rubles		
Loans with interest rates of 11% - 23% per annum, mature 2009-2013	768,943	908,002
Bonds with interest rates of 10% - 12% per annum	211	980
Other borrowings	54,303	56,065
US dollars		
Loans with interest rates of LIBOR (1 m) +3.75% - 17% per annum, mature 2009-2010	94,710	119,431
Euros		
Loans with interest rates of EURIBOR (6 m) +1.3% - 14.25% per annum, mature 2009-2017	146,879	122,559
Other borrowings	15,003	19,631
	2,735,199	**2,883,773**
Other companies		
Loans, RUR denominated, with interest rates of 8% - 25% per annum	23,781	81,825
Loan, US$ denominated, with interest rate of LIBOR + 3.25% per annum	6,666	-
Loan, EURO denominated, with interest rate of 5.38% per annum	28,668	43,711
Other borrowings	80	269
	2,794,394	**3,009,578**
Less: short-term loans and current maturities of long-term loans	(1,126,035)	(1,079,806)
Long-term borrowings	**1,668,359**	**1,929,772**

The Group's long-term borrowings at June 30, 2009 mature between 2 to 9 years.

As at June 30, 2009 and December 31, 2008, more than 39% and 40%, respectively, of total short-term and long-term borrowings of the Group are payable by Maxi-Group.

As at June 30, 2009 and December 31, 2008, loans of $15,580 and $50,204, respectively, were collateralized with guarantee letters and other guarantees issued by companies which are the related parties of Maxi-Group (Note 16(e)). As at June 30, 2009 and December 31, 2008, loans of $47,388 and $78,563, respectively, were collateralized with the shares of Maxi-Group companies.

New borrowings

The amount of loans received by the Group under new loan agreements concluded in the six months ended June 30, 2009 and outstanding as at June 30, 2009 is $145,821.

(thousands of US dollars)

7 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

Major terms of loan agreements

Certain of the loan agreements contain debt covenants that impose restrictions on the purposes for which the loans may be utilized, covenants with respect to disposal of assets, incurrence of additional liabilities, issuance of loans or guarantees, obligations in respect of any future reorganizations procedures or bankruptcy of borrowers, and also require that borrowers maintain pledged assets to their current value and conditions. In addition, these agreements contain covenants with respect to compliance with certain financial ratios, subjective acceleration clauses in relation to unfavorable economic conditions and performance of the borrowers as well as legal claims in excess of certain amount, where reasonable expectation of negative outcome exist, and covenants triggering by any failure of the borrower to fulfill contractual obligations.

8 FORWARD CONTRACTS

The Group holds or purchases derivative financial instruments for purposes other than trading to mitigate foreign currency exchange rate risk. The Group uses Euro and US dollar forward sales and purchases contracts with maturities no longer than 6 months to exchange Euros and US dollars to Russian rubles and back, to manage its exposure to foreign currencies price fluctuations.

Negative fair values of unrealized forward exchange contracts, amounting to $(325,249) and $(495,540) are included in accounts payable other liabilities as at June 30, 2009 and December 31, 2008, respectively.

In accordance with SFAS No. 157, the fair value of foreign currency derivatives is determined using Level 2 inputs, which are defined as “significant other observable” inputs. The inputs used include quoted prices for similar assets or liabilities in an active market. Fair value is determined as the sum of the differences between the discounted market forward rate in the settlement month prevailing at June 30, 2009 and the appropriate contract settlement rate, multiplied by the respective notional amount of the contract.

The table below summarizes by major currency the contractual amounts and negative fair values of the Group’s unrealized forward exchange contracts in US dollars.

	As at June 30, 2009		As at December 31, 2008	
	Notional amount	Fair value	Notional amount	Fair value
US dollars	1,064,188	(211,410)	1,411,825	(353,169)
Euros	642,892	(113,839)	915,723	(142,371)
	1,707,080	**(325,249)**	**2,327,548**	**(495,540)**

During the six months ended June 30, 2009 and June 30, 2008 (losses) / gains from realized forward exchange contracts amounted to $(271,663) and $52,501, respectively. These gains and losses were included in the “Foreign currency exchange (loss) / gain, net” line in the interim condensed consolidated statements of income.

9 DISPOSAL OF ASSETS

In December 2008, the Parent Company reached an agreement to sell, to an entity under common control, its full controlling share (69.41%) in OJSC TMTP and its subsidiaries (TMTP) for a total consideration of $258,182 (as at the date of payment). The transaction was closed in January 2009. An after-tax gain on this transaction of $85,345 was recognized by the Group, and included within the “Disposal of assets to an entity under common control” line in the interim condensed consolidated statements of stockholders’ equity and comprehensive income for the six months ended June 30, 2009.

Management of the Group plans to continue to use the shipping services provided by TMTP. Accordingly, operations of TMTP until the date of disposal in these interim condensed consolidated financial statements are reflected within continuing operations of the Group within other segments.

9 DISPOSAL OF ASSETS (continued)

The carrying amounts of the major classes of assets and liabilities of TMTP as at the date of disposal are as follows (in relation to the 100% stake):

Current assets	37,329
Non-current assets, including goodwill	182,558
Total assets	**219,887**
Current liabilities	(12,676)
Non-current liabilities	(5,254)
Total liabilities	**(17,930)**
Net assets	**201,957**

Information on TMTP's transactions for January 2009 is as follows:

Sales revenue	6,006
Net income	2,976

This transaction was carried out in line with the earlier announced strategy of the Group's further development. In accordance with a resolution passed by the Board of Directors in February 2006, the interest in OJSC TMTP and its subsidiaries was classified as a non-core asset.

10 EARNINGS PER SHARE

	For the six months ended June 30, 2009	**For the six months ended June 30, 2008**
Weighted average number of shares	5,993,227,240	5,993,227,240
Net (loss) / income (thousands of US dollars)	(242,921)	1,530,816
Basic and diluted net (loss) / income per share (US dollars)	**(0.0405)**	**0.2554**

Basic net (loss) / income per share of common stock is calculated by dividing net (loss) / income by the weighted average number of shares of common stock outstanding during the reporting period, after giving retroactive effect to any stock splits. The Parent Company does not have potentially dilutive shares outstanding.

No dividends were declared by the Parent Company for the six months ended June 30, 2009.

In June 2009, the Parent Company declared dividends for the year ended December 31, 2008 of 2 Russian rubles per share for the total of $471,338 (at the historical rate), including interim dividends for the six months ended June 30, 2008 of 2 Russian ruble per share.

In June 2008, the Parent Company declared dividends for the year ended December 31, 2007 of 3 Russian rubles per share for the total of $737,682 (at the historical rate), including interim dividends for the six months ended June 30, 2007 of 1.5 Russian ruble per share for the total of $360,142 (at the historical rate).

Dividends payable amounted to $3,434 and $4,859 as at June 30, 2009 and December 31, 2008, respectively (Note 6).

(thousands of US dollars)

11 INCOME TAX

The corporate income tax rate applicable to the Group is predominantly 20%, prior to January 1, 2009 - 24%.

In the first half of 2009 the Group recognized a net consolidated income tax expense of $26,437. In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current taxable profits and tax liabilities of other Group companies and, accordingly, net taxes may accrue even where there is a consolidated tax loss. Included in the income tax expense the first half of 2009 is $45,404 of income tax benefits related to the tax losses of certain subsidiaries of the Group. The Group's management believes there is positive evidence to support the realizability of the deferred income tax assets.

12 BUSINESS COMBINATIONS

(a) Acquisition of Beta Steel Corp. shares

In October 2008, the Group acquired a 100% of interest in Beta Steel Corp. The acquired company was consolidated by the Group for the first time as at the effective date of obtaining control, which management considers to be October 2008. The initial amount paid to the sellers $190,442 is subject to adjustment in accordance with the terms of the share purchase agreement. The remaining amount of the purchase price totaled $161,023 was paid to certain banks as repayments of Beta Steel Corp.'s loans in accordance with the share-purchase agreement provisions.

The acquisition of Beta Steel Corp. was made as a part of the Group's strategy of product diversification and increasing sales of finished products in its core markets.

The Group is in the process of completing the purchase price allocation, including the assessment of the fair value of property, plant and equipment and intangible assets. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed in this business combination. The fair values of property, plant and equipment and intangible assets were based on estimates of independent appraiser. The resulting goodwill primarily reflects the control premium paid for the acquisition:

Current assets	60,356
Intangible assets	15,900
Property, plant and equipment	301,591
Other non-current assets	36
Preliminary goodwill	35,727
Total assets acquired	**413,610**
Current liabilities	(52,075)
Non-current liabilities	(269)
Deferred income tax liability	(9,801)
Total liabilities assumed	**(62,145)**
Net assets acquired	**351,465**
Less: cash acquired	(3,308)
Net assets acquired, net of cash acquired	**348,157**

(thousands of US dollars)

12 BUSINESS COMBINATIONS (continued)

(b) Acquisition of OJSC Maxi-Group shares

In November 2007, the Parent Company entered into a binding agreement and a shareholder agreement in relation to the acquisition of a controlling stake in Maxi-Group as well as agreements granting short-term loans (secured by a pledge of shares in companies of Maxi-Group) of $398,152, half of which was granted before the acquisition date.

In December 2007, in accordance with the terms of the agreement the Parent Company acquired a 50% plus one share interest in Maxi-Group. In accordance with the formula defined in the share purchase agreement, the Group has estimated a preliminary purchase price of $558,515 as at the date of obtaining control and accrued the corresponding liability as at December 31, 2007. In January 2008, the Parent Company paid $299,928 of the purchase price (translated at the exchange rate at the date of payment). The final payment between the parties was required after completion of the Maxi-Group due diligence process and finalization of the corresponding price adjustment.

Considering that the one-year deadline to settle the purchase price allocation passed in December 2008, the Group's management prepared its best estimate of the Maxi-Group shares purchase price of $299,088 (as at the transfer of the ownership date).

The acquired companies were consolidated for the first time as at the transfer of the ownership date of Maxi-Group's shares, which management considers to be December 2007.

This acquisition is in line with the Group's strategy to expand its operations in the Russian market. The acquisition will give the Group a significant share of the domestic long products market and lead to full self-sufficiency in steel scrap.

The Group completed the best estimated purchase price allocation including assessment of fair value of property, plant and equipment, intangible assets and tax, legal, environmental and other contingencies. The following table summarizes the fair values of the assets acquired and liabilities assumed in this business combination. The fair values of property, plant and equipment and intangible assets were based on estimates of independent appraiser. The resulting goodwill primarily reflects the control premium paid for the acquisition:

Current assets	561,301
Property, plant and equipment	1,936,953
Other non-current assets	531
Goodwill	281,183
Total assets acquired	**2,779,968**
Current liabilities	(1,154,228)
Non-current liabilities	(1,277,623)
Deferred income tax liability	(29,729)
Total liabilities assumed	**(2,461,580)**
Minority interest	(19,300)
Net assets acquired	**299,088**
Less: cash acquired	(25,047)
Net assets acquired, net of cash acquired	**274,041**

The purchase price negotiation is not finalized and is still under discussion between the parties, however Group's management believes that the final adjustment, if any, will not be material.

(thousands of US dollars)

12 BUSINESS COMBINATIONS (continued)

(c) Acquisition of international traders

In December 2007, the Group reached an agreement to acquire 100% of the shares in trading companies Novexco (Cyprus) Ltd. and Novex Trading (Swiss) S.A., which from December 2007 conduct the business previously operated by Moorfield Commodities Company, UK, Steelco Mediterranean Trading Ltd., Cyprus, and Tuscany Intertrade (UK). The acquired companies were consolidated by the Group for the first time as at the effective date of obtaining control, which management considers to be May 2008. The amount paid to the seller was $119,935.

This acquisition is in line with the Group's strategy to establish an international trading structure. This acquisition will also give the Group better control over export sales and further enhance its presence in core markets.

As both companies were acquired within one share-purchase agreement and share a single client base as their main asset, Group's management believes that it is more practical to disclose the information on assets and liabilities of the acquired entities in the consolidated format.

The following table summarizes the fair values of the assets acquired and liabilities assumed in this business combination, determined in accordance with SFAS No. 141. Property, plant and equipment and intangible assets were recorded at fair values:

Current assets	866,137
Intangible assets	89,910
Other non-current assets	109
Goodwill	2,055
Total assets acquired	**958,211**
Current liabilities	(838,276)
Total liabilities assumed	**(838,276)**
Net assets acquired	**119,935**
Less: cash acquired	(417,840)
Net assets acquired, net of cash acquired	**(297,905)**

The revenues and net income of Novex Trading (Swiss) S.A. and Novexco (Cyprus) Ltd. for the six months ended June 30, 2008 were $2,286,473 and $39,999, respectively.

(d) Other acquisitions

In the first half of 2008 the Parent Company made a number of immaterial acquisitions of stock in existing subsidiaries for the total consideration of $126,144.

13 CHANGE IN NON-CONTROLLING INTEREST OF MAXI-GROUP COMPANIES

In June 2009, the Parent Company acquired through a public auction for $44,572 interests of between 32% and 100% in three companies controlled by Maxi-Group.

In accordance with the Russian legislation concerning pledges and pledge contracts terms, the auction was conducted by an independent organizer in order to discharge Maxi-Group subsidiaries' pledge obligations under its loans taken prior to the date of acquisition (Note 12(b)). The auction's starting price was determined by an independent appraiser.

(thousands of US dollars)

13 CHANGE IN NON-CONTROLLING INTEREST OF MAXI-GROUP COMPANIES (continued)

As a result of these transactions between Group companies, there was an increase of non-controlling interest by $19,844 with a corresponding decrease in the additional paid-in capital.

In July 2009, the Parent Company acquired an additional interest of 25% in one of the abovementioned Maxi-Group companies and as a result increased its direct interest in this subsidiary to a controlling stake.

The above acquisitions were carried out for the purpose of more efficient management of the assets.

In July 2009, a minority shareholder of Maxi-Group initiated legal proceedings to contest the results of the public auction (Note 17(b)).

14 SEGMENTAL INFORMATION

The Group has four reportable business segments: steel, long products, mining and coke-chemical. These segments are combinations of subsidiaries, have separate management teams and offer different products and services. The above four segments meet criteria for reportable segments. Subsidiaries are consolidated by the segment to which they belong based on their products and management.

Revenue from segments that does not exceed the quantitative thresholds is primarily attributable to three operating segments of the Group. Those segments include the trade seaport services business (Note 9), insurance and other services. None of these segments has met any of the quantitative thresholds for determining a reportable segment.

The Group's management accounts for intersegmental sales and transfers, for the purpose of determining intersegmental operations, as if the sales or transfers were to third parties. The Group's management evaluates performance of the segments based on segment revenues, gross profit, operating income and income from continuing operations, net of income tax.

Segmental information for the six months ended June 30, 2009 and their assets as at June 30, 2009 is as follows:

	Steel	**Long products**	**Mining**	**Coke-chemical**	**All other**	**Totals**	**Inter-segmental operations and balances**	**Consolidated**
Revenue from external customers	2,215,098	232,540	60,935	73,261	4,427	2,586,261	-	2,586,261
Intersegment revenue	42,316	113,228	187,961	121,770	-	465,275	(465,275)	-
Gross profit	**539,876**	**21,077**	**101,401**	**24,648**	**1,973**	**688,975**	**4,675**	**693,650**
Operating income / (loss)	**164,990**	**(55,170)**	**73,132**	**5,831**	**1,656**	**190,439**	**14,122**	**204,561**
Income / (loss) from continuing operations, net of income tax	**506,055**	**(163,162)**	**66,300**	**2,261**	**2,706**	**414,160**	**(475,546)**	**(61,386)**
Segment assets, including goodwill	9,597,055	2,062,983	944,871	763,479	39,328	13,407,716	(1,068,269)	12,339,447

(thousands of US dollars)

14 SEGMENTAL INFORMATION (continued)

Segmental information for the six months ended June 30, 2008 and their assets as at December 31, 2008 is as follows:

	Steel	Long products	Mining	Coke-chemical	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	4,698,091	756,828	41,198	346,089	41,410	5,883,616	-	5,883,616
Intersegment revenue	152,419	232,106	491,411	223,265	2,490	1,101,691	(1,101,691)	-
Gross profit	**1,989,721**	**323,579**	**353,154**	**128,849**	**20,674**	**2,815,977**	**(166,781)**	**2,649,196**
Operating income	**1,605,598**	**224,062**	**315,562**	**74,263**	**20,697**	**2,240,182**	**(170,466)**	**2,069,716**
Income from continuing operations, net of income tax	**2,082,845**	**43,934**	**268,755**	**47,317**	**15,859**	**2,458,710**	**(943,246)**	**1,515,464**
Segment assets, including goodwill	12,113,175	2,253,124	1,400,030	1,022,413	187,861	16,976,603	(2,912,075)	14,064,528

15 RISKS AND UNCERTAINTIES

(a) Operating environment of the Group

Russian Federation

The Russian Federation's economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that in practice is not freely convertible in most countries outside the Russian Federation and relatively high inflation. Despite strong economic growth in recent years, the financial situation in the Russian Federation market significantly deteriorated during 2008, particularly in the fourth quarter. As a result of global volatility in financial and commodity markets, among other factors, there has been a significant decline in the Russian Federation stock market since mid-2008.

Due to deteriorating economic conditions in the Russian Federation against the background of financial and economic crisis a number of measures have been undertaken by the Government to support financial markets, including support for refinancing of international loans by Russian borrowers and provision of short-term non-securitized loans to Russian banks.

Impact of the ongoing global financial and economic crisis

The ongoing global liquidity and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates and very high volatility in stock and currencies markets. The uncertainty in the global financial market has also led to bank failures and bank rescues in the United States of America, European Union, Russian Federation and other countries.

Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Deteriorating operating conditions may also have an impact on cash flow management and assessment of the impairment of financial and non-financial assets.

The lower liquidity situation led to a reduction in demand for steel from ultimate customers and had a negative impact on debtors' ability to repay their debts on timely basis.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

15 RISKS AND UNCERTAINTIES (continued)

(b) Convertibility of Russian ruble

Future movements in the exchange rate between the Russian ruble and the US dollar will affect the reported US dollar amounts related to the Russian ruble carrying values of the Group's assets and liabilities. Such movements may also affect the Group's ability to realize profitably assets presented in US dollars in these interim condensed consolidated financial statements. Accordingly, any translation of ruble amounts to US dollars should not be construed as a representation that such ruble amounts have been, could be, or will in the future be converted into US dollars at the exchange rate shown or at any other exchange rate. Commencing in September 2008, the volatility in currency markets increased and in the fourth quarter of 2008 and the first quarter of 2009 the exchange rate of the Russian ruble to the US dollar substantially decreased. Subsequently, there has been a partial recovery in the value of the Russian ruble.

(c) Commercial risks

The Group minimizes its sales risks by having a wide range of geographical zones for sales, which allows the Group to respond quickly to changes in the situation on one or more sales markets on the basis of an analysis of the existing and prospective markets.

The Group's sales outside the Russian Federation in monetary terms for the six months ended June 30, 2009 and June 30, 2008 were 65% and 59% of the total sales, respectively.

The Group relies on export sales to generate foreign currency earnings. As the Group sells outside the Russian Federation a significant portion of its production, it is exposed to foreign currency risk as well as global economic and political risks.

The Group's future profitability and overall performance are strongly affected by the prices of ferrous metal products set in the international metal trading market that are subject to significant fluctuations.

Price fluctuations of the Group's sales outside the Russian Federation are in line with general trends in global price fluctuations. The Group's prices for sales outside Russia are comparable to the prices of Russian competitors.

16 RELATED PARTY TRANSACTIONS

Related parties relationships are determined with reference to SFAS No. 57, *Related Party Disclosures*. Balances as at June 30, 2009 and December 31, 2008 and transactions for the six months ended June 30, 2009 and June 30, 2008 with related parties of the Group consist of the following:

(a) Sales to and purchases from related parties

Sales

Sales to an associate (SIF S.A.) and its subsidiary were $171,214 and $203,146 for the six months ended June 30, 2009 and June 30, 2008, respectively. Sales to other related parties were $3,476 and $8,810 for the six months ended June 30, 2009 and June 30, 2008, respectively.

Related accounts receivable from SIF S.A. and its subsidiary equaled $63,860 and $193,875 as at June 30, 2009 and December 31, 2008, respectively. Accounts receivable from other related parties equaled $1,761 and $4,390 as at June 30, 2009 and December 31, 2008, respectively.

Purchases and services

Purchases of raw materials, technological equipment and management services from the companies under common control, were $1,419 and $1,657 for the six months ended June 30, 2009 and June 30, 2008, respectively.

Accounts payable to related parties were $16,889 and $18,154 as at June 30, 2009 and December 31, 2008, respectively.

16 RELATED PARTY TRANSACTIONS (continued)

(b) Financial transactions

In May 2007, the Parent Company issued a loan of 100 million Euro to its associate (SIF S.A.) for the purpose of financing the acquisition of its new subsidiary Sharon Coating LLC (former Winner Steel LLC). In November 2008, the loan was increased to 109 million Euro. In the first half of 2009 the Parent Company issued loans of 194 million Euro and 50 million US dollars to SIF S.A. and its subsidiary. The carrying amount of these loans, including interest accrued, is $478,758 and $155,648 as at June 30, 2009 and December 31, 2008, respectively.

As at June 30, 2009 and December 31, 2008, the Group has issued guarantees for SIF S.A. and its subsidiaries amounting to $233,176 and $55,693, respectively.

Deposits and current accounts of the Group companies in banks under significant influence of the Group's management (OJSC Bank Zenit and OJSC Lipetskcombank) amounted to $88,702 and $69,515 as at June 30, 2009 and December 31, 2008, respectively. Related interest income from deposits and current accounts for the six months ended June 30, 2009 and June 30, 2008 amounted to $736 and $2,702, respectively.

The aggregate amount of interest free loans granted to management outstanding as at June 30, 2009 and December 31, 2008 was $128 and $250, respectively.

Agent fees paid to a company under significant influence of the Group's management for services connected with the purchase of shares in subsidiaries during the six months ended June 30, 2009 and June 30, 2008 amounted to nil and $2,500, respectively.

(c) Common control transfers

In December 2008, the Parent Company reached an agreement to sell to a company under common control, its full controlling share in OJSC TMTP for a total consideration of $258,182 (as at the date of payment) (Note 9) and completed the disposal in January 2009.

(d) Contributions to non-governmental pension fund and charity fund

Total contributions to a non-governmental pension fund and charity fund amounted to $1,644 and $2,456 for the six months ended June 30, 2009 and June 30, 2008, respectively. The Group has the right to appoint and dismiss top management of the non-governmental pension fund as the major contributor to its capital. The Group has no long-term commitments to provide funding, guarantees, or other support to the abovementioned funds.

(e) Outstanding balances with the related parties of Maxi-Group originated prior to acquisition by the Group

Accounts receivable

Accounts receivable less provision, including accounts receivable from the related parties of OJSC Maxi-Group acquired in a business combination, equaled $3,780 and $7,397 as at June 30, 2009 and December 31, 2008, respectively.

Accounts payable

Accounts payable, including accounts payable from the related parties of OJSC Maxi-Group acquired in a business combination, were $34,651 and $35,959 as at June 30, 2009 and December 31, 2008, respectively.

16 RELATED PARTY TRANSACTIONS (continued)

Financial settlements

Short-term loans issued amounted to $2,638 and $2,715 as at June 30, 2009 and December 31, 2008, respectively.

As at June 30, 2009 and December 31, 2008, loans of $15,580 and $50,204, respectively, were collateralized with guarantee letters and other guarantees issued by the related parties of OJSC Maxi-Group.

Short-term and long-term loans received amounted to $83 and $446 as at June 30, 2009 and December 31, 2008, respectively.

(f) Outstanding balances with minority shareholder of Maxi-Group

Short-term loans received from the minority shareholder of Maxi-Group amounted to $48,159 and $48,463 as at June 30, 2009 and December 31, 2008, respectively.

17 COMMITMENTS AND CONTINGENCIES

(a) Anti-dumping investigations

The Group's export trading activities are subject to from time to time compliance reviews of importers' regulatory authorities. The Group's export sales were considered within several anti-dumping investigation frameworks. The Group takes steps to address negative effects of the current and potential anti-dumping investigations and participates in the settlement efforts coordinated through the Russian authorities. No provision arising from any possible agreements as a result of anti-dumping investigations has been made in the interim condensed consolidated financial statements.

(b) Litigation

The Group, in the ordinary course of business, is the subject of, or party to, various pending or threatened legal actions. The management of the Group believes that any ultimate liability resulting from these legal actions will not significantly affect its financial position or results of operations, and no amount has been accrued in the interim condensed consolidated financial statements.

In March 2009, NLMK and DBO Holdings Inc. signed a settlement agreement with respect to their dispute concerning NLMK's abandoned acquisition of John Maneely Company, which provides for the full mutual release and discharge by the parties arising from the potential transaction and payment to DBO Holdings Inc. an amount of $234 million. This amount was fully paid to DBO Holdings Inc. in March 2009.

In July 2009, the Parent Company and OJSC Maxi-Group received a claim from the Maxi-Group's minority shareholder to invalidate and reverse the results of the public auction through which NLMK acquired shares in companies, controlled by Maxi-Group (Note 13). No adjustments in relation to this claim were made in these interim condensed consolidated financial statements, as the Group's management strongly believes that the Group acted in full compliance with the Russian legislation and pledge contracts terms and hence believes that the probability of unfavorable outcome for the Group in relation to this claim is remote.

(c) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that the Group has met the Government's federal and regional requirements concerning environmental matters, therefore there are no significant liabilities for environmental damage or remediation.

17 COMMITMENTS AND CONTINGENCIES (continued)

(d) Insurance

To minimize its risks the Group has voluntary insurance contracts to insure property, plant and equipment, land transport and aircraft as well as certain type of cargo and purchased accident and health insurance, and medical insurance for employees, and directors and officers liability insurance (D&O). The Group also purchases operating entities civil liability coverage for dangerous production units.

(e) Capital commitments

Management estimates that the outstanding agreements in connection with equipment supply and construction works amounted to $1,914,916 and $1,510,813 as at June 30, 2009 and December 31, 2008, respectively.

(f) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group's social assets, as well as local social programs, benefit the community at large and are not normally restricted to the Group's employees. The Group has transferred certain social operations and assets to local authorities, however, management expects that the Group will continue to fund certain social programs through the foreseeable future. These costs are recorded in the period they are incurred.

(g) Tax contingencies

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at June 30, 2009, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these interim condensed consolidated financial statements.

(h) Financial guarantees issued

As at June 30, 2009 and December 31, 2008, the Group has issued guarantees amounting to $242,137 and $67,058, respectively, most of which were issued for related parties (Note 16(b)). No amount has been accrued in these interim condensed consolidated financial statements for the Group's obligation under these guarantees as the projected outflows from such guarantees are immaterial.